

NCDOR

**NORTH
CAROLINA
DEPARTMENT
OF REVENUE**

Present Use Valuation and the UVAB Manual

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Local Government Division



- Market value -estimated price between willing buyer and seller, neither under compulsion to buy or sell with both having reasonable knowledge of property. For property tax purposes it is market value at the date of the last countywide reappraisal.
- Present-use value -land value in its current use as agriculture, horticulture or forestland based on its ability to produce income.

- Properties that qualify for PUUV are appraised at market value and present use value.
- Differ between market value and present use in the tax records are deferred taxes. When the land becomes disqualified from PUUV, deferred taxes for current year and three previous years become due and payable.

1 Acre Market Value	\$10,000
1 Acre Present Use Value	— \$1,000
	<hr/>
Deferred Value	\$9,000

- 3 Classes of Property
 - Agriculture Land
 - Horticulture Land
 - Forestland
- Basic Requirements
 - Ownership
 - Size
 - Income (Applies only to Ag. and Hort. Land)
 - Sound Management

- Statutory requirements:
 - Qualifying properties must be valued at present-use value
 - Present-use value must be value of land in its current, qualifying use
 - Value based solely on its ability to produce income
 - Forestland values based on expected net income

- Assessor responsible for establishing present-use value for county
- General Assembly provides resources to assist the assessor
- General Assembly requires a set of recommended values be developed annually by the Use Value Advisory Board (UVAB)
- UVAB provides a use-value manual to DOR annually
- DOR distributes manual to local assessors

- Most assessors use UVAB recommended values
 - 98 counties develop values using UVAB manual
 - 2 counties do not use the UVAB manual
 - Some counties unable to identify soil types in GIS
- Statutory limits for assessor
 - May not exceed \$1,200/acre for agriculture land
 - Capitalization rates for agriculture and horticulture land must be 6.5%
 - Capitalization rates for forestland must be 9%

- Established under supervision of Agriculture Extension Service of NC State University
- Comprised of the following members:
 - Director of NCSU Agriculture Extension – Chair
 - Rep. of Dept. of Ag. and Consumer Services
 - Rep. from NC Forest Service
 - Rep. from NC A&T Ag. Extension Service
 - Rep. from NC Farm Bureau Federation, Inc.
 - Rep. from NC Assoc. of Assessing Officers
 - Director of Local Govt. Division – NCDOR
 - Rep. of NC Assoc. of County Commissioners
 - Rep. of the NC Forestry Association

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- Addresses three major areas:
 - Agriculture and horticulture values and capitalization rates
 - Forestland values
 - Evergreens intended for use as Christmas trees

- Based on capitalization of estimated cash rental rates for various classes of soils found in state
- Periodic cash rent study results provided to UVAB to establish PUV rates
- Last cash rent study completed in 2008.
- Rent study was done by the National Agriculture Statistics Service in cooperation with the NC Dept. of Agriculture and Consumer Services.

- Cash rental rates analyzed by geographic location and soil productivity
- Rates determined for each soil classification
- Soils divided into three productive soils categories and one unproductive soils category
- Soils grouped by geographic regions determined by major land resource area

Major Land Resource Areas North Carolina



Map Source: USDA - NRCS
North Carolina, Raleigh State Office
Ecological Sciences Section
Dec. 2006

Data Source: USDA - NRCS, NCDOT,
and USGS base map layers.

Map Location:
h:\geodata\workspace\maps

How To Read This Map: This
map is for general location
reference only.

Purpose: This map displays the
Major Land Resource Areas of
the USDA - NRCS

0 25 50 100
Miles

1:3,200,000

Map Projection: Albers Equal Area
Datum: NAD27



- 130B - Mountains
- 136 - Piedmont
- 137 - Sandhills
- 133A - Upper Coastal Plain
- 153A - Lower Coastal Plain
- 153B - Tidewater

- Cash Rental Rate \div Capitalization Rate = Present-Use Value
- Capitalization rate must be between 6% - 7%
- General Assembly delegated authority to UVAB to set rate
- Current adopted rate is 6.5%

AGRICULTURAL RENTS

MLRA	BEST	AVERAGE	FAIR
130	90.30	54.30	35.50
133A	82.15	58.30	43.65
136	61.80	42.10	27.35
137	67.50	47.30	32.20
153A	77.10	56.10	42.20
153B	103.95	70.70	53.00

AGRICULTURAL SCHEDULE

MLRA	CLASS I	CLASS II	CLASS III
130	\$1,200*	\$835	\$545
133A	\$1,200*	\$895	\$670
136	\$950	\$645	\$420
137	\$1,035	\$725	\$495
153A	\$1,185	\$860	\$645
153B	\$1,200*	\$1,085	\$815

$$\text{MLRA 130} \quad \frac{\$90.30}{.065} = \$1,389$$

Maximum Value is \$1,200*

--NOTE: All Class 4 or Non-Productive Land will be appraised at \$40.00 per acre.

--For 2019, rents were increased 10% to more accurately represent the current cash rents and then divided by a capitalization rate of 6.5% to produce the Agricultural Schedule.

* As required by statute, agricultural values cannot exceed \$1,200.

- Determined by capitalizing the net income ranges for forestland
- Five-year rolling average used to offset any abrupt changes in market
- Soils divided into five productive soils categories and one unproductive soils category
- Soils grouped by geographic regions determined by major land resource area
- Differ than Agriculture and Horticulture resources are available to update forest market information data annually

- $\text{Net Income} \div \text{Capitalization Rate} = \text{Present-Use Value}$
- Capitalization rate must be 9%

FORESTLAND NET PRESENT VALUES

MLRA	Class I	Class II	Class III	Class IV	Class V
130	\$29.99	\$18.86	\$6.91	\$4.74	\$3.26
133A	\$27.99	\$21.13	\$18.14	\$7.08	\$4.79
136	\$32.51	\$23.29	\$22.57	\$14.53	\$10.42
137	\$34.35	\$22.72	\$22.57	\$7.68	\$2.95
153A	\$27.99	\$21.13	\$18.14	\$7.08	\$4.79
153B	\$22.56	\$18.14	\$17.18	\$7.08	\$4.79

FORESTLAND SCHEDULE

MLRA	Class I	Class II	Class III	Class IV	Class V
130	\$330	\$205	\$75	\$50	\$40
133A	\$310	\$230	\$200	\$75	\$50
136	\$360	\$255	\$250	\$160	\$115
137	\$380	\$250	\$250	\$85	\$40
153A	\$310	\$230	\$200	\$75	\$50
153B	\$250	\$200	\$190	\$75	\$50

$$\text{MLRA 130} \quad \frac{\$29.99}{.09} = \$333$$

--NOTE: All Class VI or Non-Productive Land will be appraised at \$40.00/Acre. Exception: For MLRA 130 use 80 % of the lowest valued productive land.

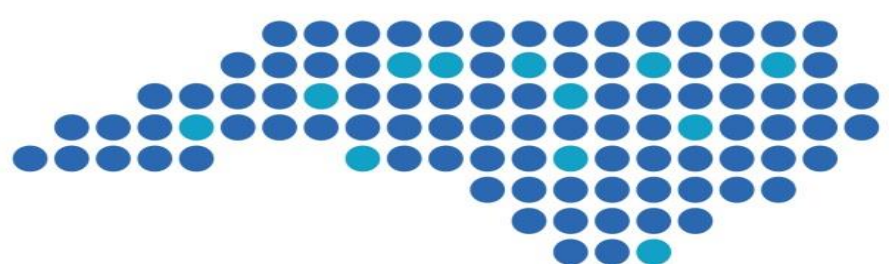
--Net Present Values were divided by a capitalization rate of 9.00% to produce the Forestland Schedule.

- County Uniformity: 98 counties use UVAB Manual
- Counties question lack of updated cash rent study
 - Last study completed in 2008
 - Counties required to update real property values every 8 years by statute
 - Updated cash rent study for Ag and Hort will take into account market fluctuations
 - UVAB increased Ag and Hort rents by 10% for 2019 to better reflect current market rents
- Statutory cap for agriculture values currently \$1,200 per acre

- Option A – Appropriate funding to the Department of Agriculture to update cash rent market studies on a periodic basis. Appropriation ended after the 2009 manual.
- Option B – Provide funding for cash rent studies thru sales tax to increase LGD budget to update cash rent studies on a periodic basis.

Study could be conducted on an annual, bi-annual or 4 year basis

Estimated cost of study in 2016 was approximately \$60,000



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UVAB Manual – NCDOR website

<https://www.ncdor.gov/documents/2019-use-value-manual>